DIY Industry update

Chase-Pitkin cancels direct mail

ROCHESTER—Chase-Pitkin, the nine-store chain based here, was planning on converting to direct mail from newspaper tabs until the results of a one-store test in February forced them to rethink their decision.

The direct test took place last February in the Brockport, N.Y., store, where 5,084 direct mail pieces were sent out at a cost of $96 per thousand, according to advertising director Bill Wikander.

"The results were very disappointing," he said. "There was no detectable sign that we made any impact in that area." A second test planned for March was cancelled following analysis of the Brockport results, Wikander said.

Chase-Pitkin had been experimenting with direct mail in an effort to avoid the high cost of newspaper advertising in the Rochester market, but the test proved that direct mail was not "cost effective," Wikander declared.

The chain is now testing a "unique newspaper distribution plan" involving the two Rochester newspapers, according to Wikander. The zoned plan consists of two partial distributions on Tuesday evening and Wednesday morning. Testing of the plan began May 25 and will continue through July.

Cromwell's cozy with cable heat

CROMWELL, Minn.—John Dahlman, co-owner of Cromwell Home Center, admits that he and his partner and brother, Mark, weren't totally convinced that an underground electrical cable system designed to heat their new store would be effective.

Officials from the Carlton County Cooperative Power Assn. were pushing off-peak power usage, however, and the cable, imbedded in sand and designed for overnight operation, would serve that purpose while supposedly cutting the store's heating bill.

"We knew our heating was going to be a big expense," Dahlman said, "and we took a chance with the cable. We had to utilize our money well because we didn't have that much of it."

The heating system proved itself during the store's first winter of operation as the community, about 45 miles west of Duluth, experienced 40-below temperatures and wind-chill factors of 100-below, according to Dahlman.

The home center's heating bills from September, when the store opened, to March totaled only $1,100, or about $150 per month as compared to the $800-per-month heating bill another nearby store of similar size incurred with oil, Dahlman explained. Meanwhile, the cable installation cost Cromwell only about $2,000 aside from labor.

Cromwell's lower-heating bills were aided by the fact the store was charged at the off-peak rate of 3¢ per kilowatt hour against a regular rate of 10¢-11¢ per kilowatt hour.

Brother Mark said the system should be as effective this winter too.

"What would make it even more effective is another 6 in. of insulation in the attic," he noted.

O'Malley's, Stapley join forces

PHOENIX—The O'Malley Cos. and O. S. Stapley are combining their wholesale hardware divisions to form Southwest Hardware, a wholesaler to operate out of Phoenix.

The hardware division of O'Malley's Mallco Distributors and O. S. Stapley's Arizona Hardware are joining forces to form the new company. Mallco will continue to operate its lumber and building materials business under its present name.

Mark O'Malley, formerly sales promotion manager of Mallco, will serve as president and chief executive officer of Southwest Hardware. James M. Berg will become executive vice president and chief operating officer.

O'Malley's other businesses include a chain of retail home centers in the Southwest while Stapley also operates farm and industrial businesses.

National Home Center News®

Ad Angles	22, 23	New Products	26
Calendar	24	People	13
Classified Ads	37	Price Point Survey	24
Distributors' Forum	31	Security/Shortage Control	26
Editorial	10	Touche Ross	28
Financial News	36	Washington View	10
Lighter Side	13		
Lumber Report	6		

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 15. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 15 July 19, 1982

1st qtr. repair expenditures up 15.6% to $18 Billion

WASHINGTON—Residential property owners increased their rate of spending for home maintenance and repairs, but reduced the level of expenditures for construction improvements during the first quarter of 1982.

According to the latest report from the Department of Commerce, maintenance and repairs expenditures increased 15.6% in the first quarter, to an annual, seasonally adjusted rate of $17.8 billion, compared to $15.4 billion in the last quarter of 1981.

The rate of expenditures for additions and alterations, meanwhile, fell 27.1% from the previous quarter, to $16.7 billion, while the rate of spending for major replacements, including such items as bathtubs, water heaters and roofing, was down only 7.3% to an annual rate of $8.4 billion. That was only slightly below the $8.2 billion rate posted in the first quarter of 1981.

Total spending, on a seasonally adjusted annual rate, was $42.9 billion in the first quarter of 1982. That represents a 6% drop from the first quarter of 1981 and a 9% drop from the last quarter of 1982.

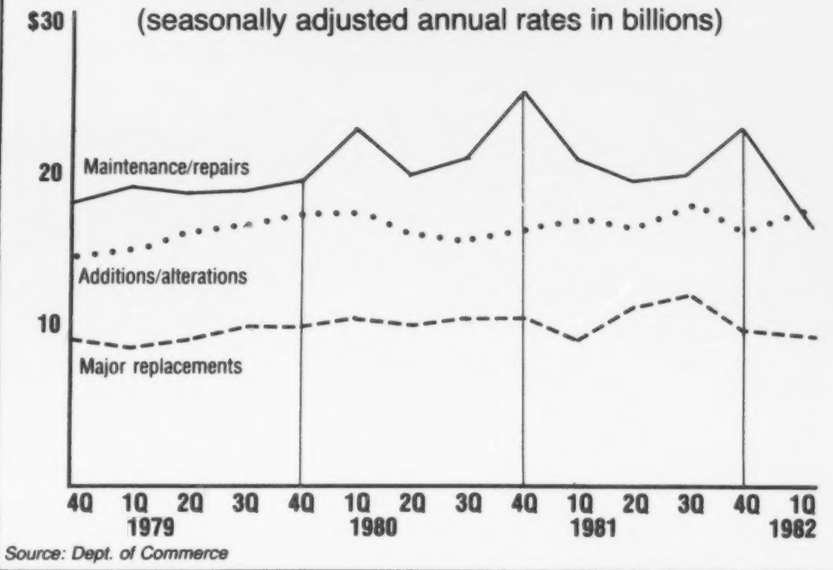
In actual dollars, property owners spent $4.8 billion in the first quarter of this year for maintenance and repairs, additions and alterations and major replacements.

Actual expenditures for maintenance and repairs were down about 20% with $1.4 billion in the first quarter of 1982 compared to $1.8 billion in the last quarter of 1981. More was spent on repairs in the first quarter of this year, however than last, when $1.3 billion was spent.

Actual spending for additions and alterations in the first quarter of 1982 ($352 million) were off by one-third compared to first quarter of 1981, while alterations ($1.4 billion first quarter 1982) were off nearly 40% in the same comparison.

Major replacements were off only 13.5% in the first quarter of this year ($812 million spent) compared to the first quarter of 1981 ($939 million).

Expenditures by residential property owners



Source: Dept. of Commerce

New permit law may cool sales of kerosene heaters in N.H.

By Tom Moloney
NHCN field editor

CONCORD, N.H.—Although license plates up here read "Live Free or Die," Granite State residents wishing to buy kerosene heaters for home use will now have to pay $2 to their local fire department for a permit, under a new law which went into effect May 22.

Before being issued a permit, applicants will be required to fill out a standardized questionnaire to prove that they understand how to use the heater properly. Although each local jurisdiction (about 300) will be able to set up their own permit program, it is unlikely that inspections of applicants homes will be required.

One potential problem for kerosene heater manufacturers under the new law is the requirement that heaters permitted for home use must be supplied with a siphon pump "or any similar device which facilitates the proper refueling of the heater."

A spokesman for the National Kerosene Heater Assn. said that "about 75%" of heaters sold in the United States are equipped with siphon pumps and that the New Hampshire law would only cause "administrative problems" for manufacturers of heaters with removable tanks.

According to Rosalie Hansen, executive director of the Retail Merchant's Assn. of New Hampshire, the law faced nearly universal opposition from fire officials. Hansen is convinced, however, that the public wanted it. "Yout can't legislate against a good product that will save people money," she stated.

A telephone survey of New Hampshire home centers revealed few stores currently carrying kerosene heaters designed for home use or planning to carry them next winter.

Dave Walsh, manager of the Plywood Ranch store in Manchester, carried the Kero-Sun line for two years but chose not to carry the heaters this past season following a state attorney general's directive to prosecute retailers selling the heaters.

"They really began to crack down at that time. I didn't feel carrying the heaters was worth all the potential legal and insurance problems," Walsh said.

Encouraged by the new law, he will "definitely" be back in the kerosene heater business in time for the 1982-83 winter heating season. As for the permit requirement, Walsh sees that as a form of "harassment," which won't affect sales.

"It's just a bone tossed to the volunteer fire departments, whose people don't seem to understand the technical innovations resulting in a very safe alternative heating source," he said, adding that he has been using one in his own home for the past three years.

Kurt Simmers, manager of

(Continued on page 38)

Home Depot raffles Ford pick-up

As of May 1, Home Depot, the Atlanta-based warehouse operation, began carrying Glidden paint. Until then Handy City had a corner on that brand in Atlanta's home center market. To celebrate the coup and annouce it to customers, Home Depot raffled off a Ford Ranger pick-up truck. Trucks, loaded with Glidden paint, were displayed prominently in the chain's eight locations.

LUMBER REPORT

Prices edge upward as mills extend closings

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—The big news during the past several weeks has been price, a sharp move upward in most commodities other than plywood.

Schept

The price shift has generally been attributed to anticipated mill closings which, before prices strengthened, were expected to extend beyond the normal two-week vacation shut down.

In addition, the demand for pulp and paper has weakened, at least in some areas. That factor has led to more mill curtailments and consequently less supply.

Housing starts, up substantially for May, may have contributed to demand and therefore prices. Also, the weather has been more hospitable.

Until now, however the higher prices at the mill have been passed on only gradually to customers at the retail level. Whether or not retail prices have been boosted and to what extent generally depends on the retailer's competition.

"It's a market-by-market situation," said Lowe's merchandising director Ken Moore. In Atlanta, a competitive market with Home Depot, Handy City, Wickes, 84 Lumber and West as well as strong independents like Williams Bros., Lowe's has been cautious about increasing prices.

"A customer would not like to pay $7.99 for plywood this week and $8.99 next," said Dwight Ford, who manages the Lowe's in Doraville, a northwestern suburb of Atlanta. "For the moment we're eating the price increases and seeing what's happening."

Prices have been particularly strong for Southern pine, especially treated products, driving prices to $212 per thousand board feet in June, a level not reached since the early days of 1980.

The higher prices have not affected product movement on the retail level, according to George Noel, lumber buyer for Rickel, the 31-store New Jersey chain.

He estimated that the cost of lumber has gone up about 10% overall and 20% to 25% for treated items. Rickel, in the competitive, Metropolitan New York market with Channel, Pergament and independents, has not increased its prices, however, Noel said.

"We felt prices would go up due to mill closures. Treated lumber prices have not increased at retail because of inventory," he said. "We took a position in the market."

Bernard Bernstein, president of Mid-State Lumber, a New Jersey distributor that services smaller yards as well as chains including 84 Lumber, said that so far his customers have not raised prices. But, he expects higher prices to filter down to the retail customer by August.

Whether higher lumber prices that finally enable mills to approach profitability are here to stay or are merely a glitch is a crystal ball question.

"My personal opinion is that it's a little breather," said Bernstein, who felt high prices would last as long as low production.

Maxey-Bosshardt, a $16 million distributor in Duluth, Ga., outside of Atlanta, is betting on low production.

The company is expecting an Aug. 1 shipment of 10 million board feet of Canadian lumber into Savannah harbor. Most of the cargo will be framing lumber, with about 3 million board feet of cedar.

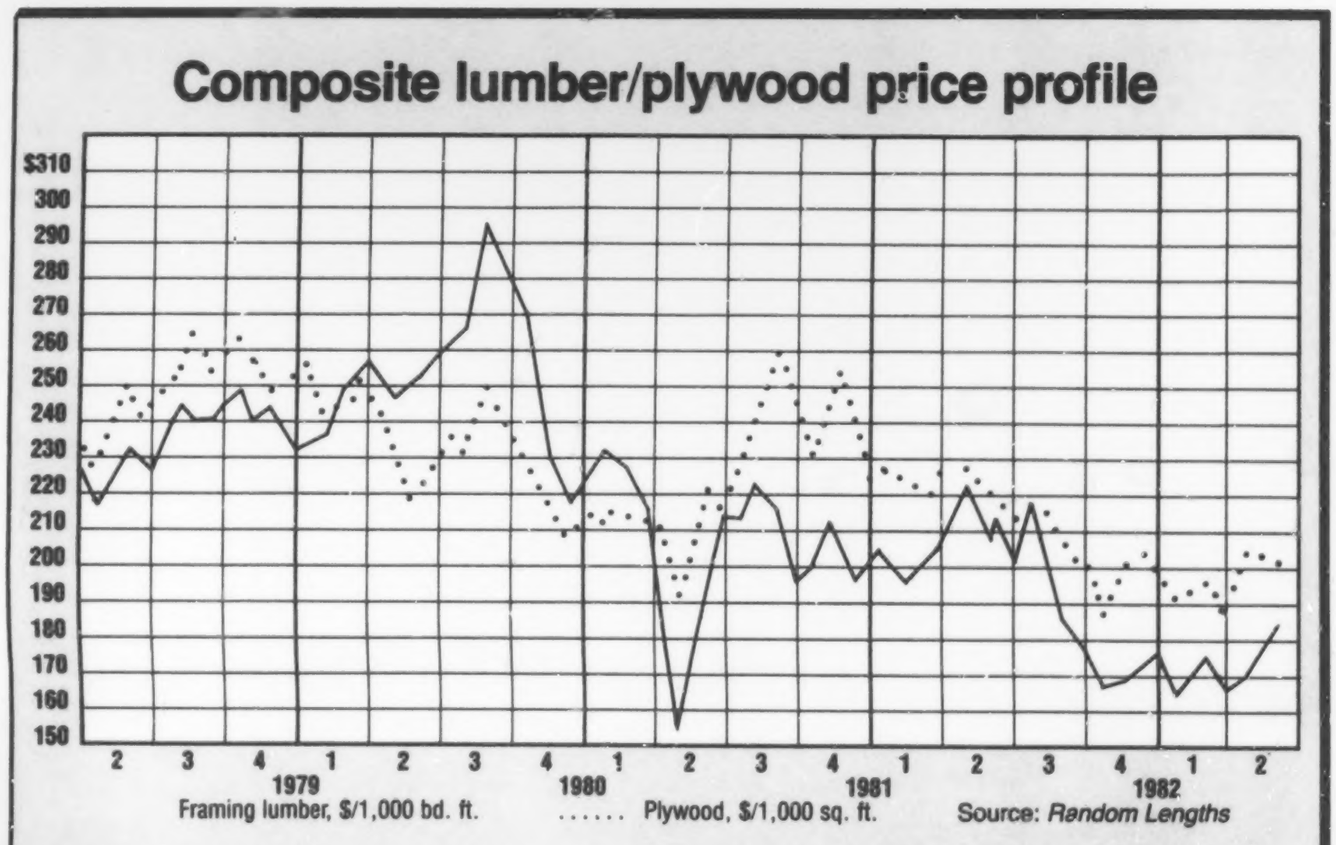
According to Weyman Maxey, president, it is the largest shipment of Canadian timber ever to the South, where such loads generally run around 3 million board feet or less, he said.

Maxey will be wiring $2.2 million to cover the cargo. He based his buying decision on the expectation that mills may remain down longer than usual this summer and that, this being an election year, some effort may be aimed at interest rates to stimulate building.

In addition, Maxey-Bosshardt last year purchased a large amount of Canadian cargo, gambling that a threatened strike would occur and make wood scarce. The strike happened; lumber was hard to get. Maxey hopes to again be in that position.

"I just thought there's not going to be much wood around this year," he said, adding, "I'm shooting craps."

Composite lumber/plywood price profile



Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

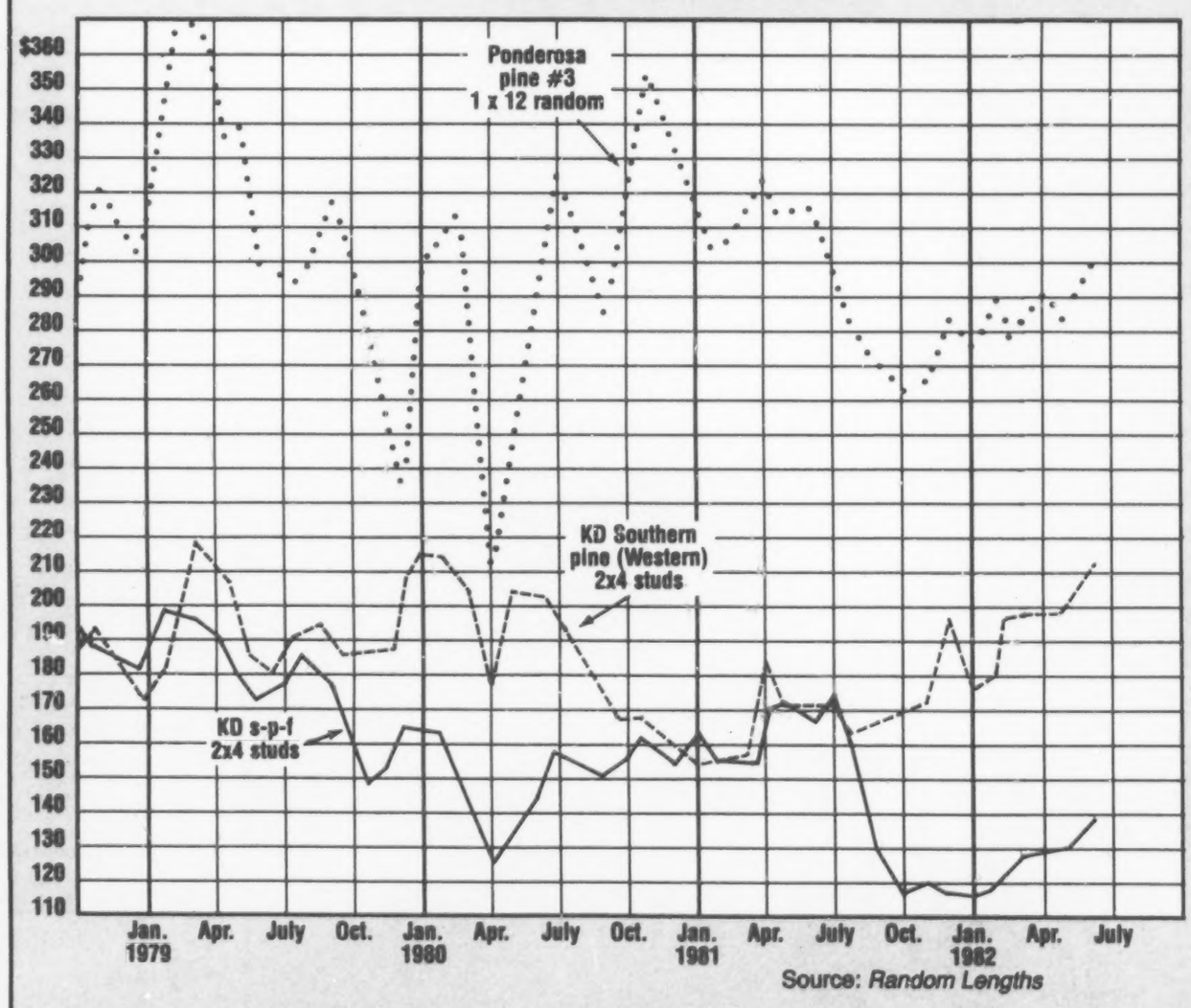
Anticipated short supply because of mill shutdowns for extended vacation periods combined with a slow paper and pulp market and other factors to drive lumber and plywood prices upward.

During June, framing lumber averaged $183 per thousand board feet and plywood averaged $202 per thousand square foot based on Random Length's weighted measure of nine framing and seven plywood key items.

Weyman Maxey, Maxey-Bosshardt president, is gambling on a lumber shortage this summer and fall.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Stud and board prices were up to levels not reached in about a year; in the case of Southern pine, to heights equaling peak prices of early 1980.

Southern pine 2x4 prices, which averaged $212 in June, continued to be fueled by East Texas building and by the considerable treated wood market.

Ponderosa pine 1x12 #3 reached $300 per thousand board feet in June on the strength of short supply. It was not clear that that price level could be maintained.

Prices for Western KD s-p-f 2x4's also rose steadily, with prices per thousand board feet about $137.

FUTURES

Two weeks ended June 25, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	142.00	134.80	135.80	139.80	1,663	224.50	129.00
Sept.	141.60	131.60	134.60	135.80	2,170	229.50	131.60
Nov.	145.00	132.60	135.80	135.10	1,233	224.50	132.60
Jan. '83	152.00	139.10	142.80	140.80	422	205.50	139.10
March	160.00	146.80	148.90	148.10	139	209.80	146.80
May	164.00	152.50	153.50	154.00	133	202.00	152.50
July	170.80	158.00	160.50	163.10	133	201.00	158.00

Total Contract Vol. (Through 6/25): 22,816 — **Previous Two Weeks: 21,320**
Total Open Interest (As of 6/24): 5,910 — **Previous Week: 6,601**
Cash Price: $148.96 — **Previous Week: $149.94** — **Year Ago: $154.84**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
July	160.20	150.10	151.20	153.10	802	219.00	150.10
Sept.	161.50	152.00	154.00	154.80	888	224.50	152.00
Nov.	161.70	154.80	156.20	157.50	378	226.50	154.80
Jan. '83	167.00	157.00	157.50	159.30	252	218.60	157.00
March	170.00	162.50	162.50	164.90	51	196.30	162.50
May	175.00	168.50	168.00	169.00	5	194.20	168.00

Total Contract Vol. (Through 6/25): 4,424 — **Previous Two Weeks: 3,953**
Total Open Interest (As of 6/24): 2,376 — **Previous Week: 2,617**
Cash Price: $161.70 — **Previous Week: $164.64** — **Year Ago: $205.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	237.1	231.9	276.6

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 6/24/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 6/23	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	21½	45½	19¾	6
Diamond Int'l (NYSE)	39¾	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	8	26½	7	9
Forest City (AMEX)	12⅝	19	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	35⅛	51	33⅜	4
Lowe's (NYSE)	14⅞	18⅝	10½	15
Payless Cashways (NYSE) [Furrow]	23¼	22¼	15¼	15
Scotty's (NYSE)	18	25⅞	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9¼	22⅞	8¾	33

*$ in millions

Over-the-counter stocks

	As of 6/23 Bid	As of 6/23 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	9¼	10	14¾	7½
Hechinger	19	19¼	23	15¼
Hines Lumber	16	17	21	15
The Home Depot	17⅞	18⅛	19⅛	6⅛
Pay 'N Pak	12⅞	13	18	11⅝
Pay 'n Save	18	18⅛	29½	16½
Scotts Seaboard [Scott's]	1	1⅜	2¾	½
Wolohan Lumber	3½	3⅝	5⅛	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	4/30-1st qtr.	$ 49,900	$ 59,400	– 16	$275,000	– $1,575	—
Pay 'N Pak	5/31-1st qtr.	43,944	41,520	6	953,000	1,487	– 36
Payless Cashways	5/29-2nd qtr.	159,393	127,832	25	6,706	4,741	41

*$ in thousands

Scott's posts loss despite better sales

LINTHICUM, Md.—The successful opening of the 18th Scott's outlet in Pasadena, Md., (*NHCN*, May 24) could not offset the negative impact from a fire at the chain's Golden Ring, Md., store, bad weather and the recessionary economy during its first quarter ended May 1, company officials indicated.

Scott's units suffered a $209,000 operating loss in the period although sales rose from $4.4 million in the first quarter a year ago to $6.7 million this year. The current sales figure included $3.1 million from seven Frank's units acquired last year (*NHCN*, Oct. 26, 1981) and three other Scott's outlets opened within the last year, according to president Earl R. Halterman Jr.

Halterman, in a letter to shareholders, said parent company Scotts Seaboard has worked at developing its home center business in the Baltimore/Washington area in the last nine months.

It has completed capital improvements at its 10 new stores and has broadened Scott's advertising focus to include radio in addition to circulars and direct mail to support the growth, he noted.

Halterman also said the company has filed insurance claims for the losses from the Golden Ring fire and was uncertain if the store would be reopened.

Overall, Scotts Seaboard, with its wholesale millwork subsidiary, Seaboard Plywood and Lumber, had a $416,000 net loss on sales of $8.4 million in the quarter.

1st-qtr. net off 27% at Pay 'n Save

SEATTLE—A 0.5% decline in gross margin in its drug stores and home center division, including its 69 Ernst outlets, was a major factor in a 27% decrease in net income at Pay 'n Save during the company's first quarter ended May 1.

"This [gross margin] reduction was primarily attributable to aggressive promotional programs and selective purchasing of promotional merchandise by consumers during these difficult times," said Cal Hendricks, executive vice president of administration.

The company's net income for the quarter totaled $911,654 although its sales were up about 5% to $218,104,661. The volume figure included a "disappointing sales" period for the home center division, Hendricks said.

He added, however, that divisional sales in recent weeks have improved.

Hendricks indicated that increased cost-consciousness and continued moderation in expansion plans will combine to help Pay 'n Save meet objectives.

N.Y. proposes restrictions on sale-price ads

ALBANY—A bill making it illegal for a retailer to advertise merchandise as "on sale" unless the advertisement includes the original price has been passed by the New York State Assembly and sent to the State Senate.

If the bill becomes law, merchants will also have to state in the ads if the item has been previously offered at a reduced price.

The sponsor of the bill in the Assembly was Assemblyman Harry Smoler (D-Brooklyn), who was motivated to introduce the bill from personal shopping experience.

"Often I'd see a sign advertising a product as, for example, 'on sale—reduced to $19.95' with no indication of how much the customer would save if he bought the item. I think that's misleading," Smoler said.

Opposing the bill is the New York State Retail Merchants Assn. Peter Zimmerman, director of governmental affairs for the association, told *NHCN* that the bill was unrealistic and too easily circumvented.

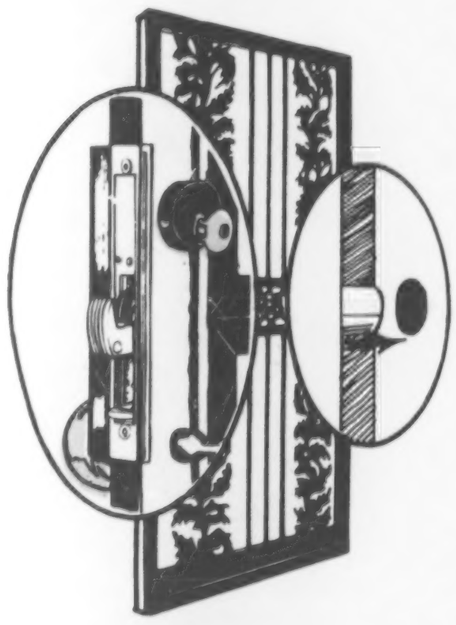
"An unethical merchant will just misrepresent the prices in ads. It's the decent merchant who'll suffer in cost and time trying to abide by the law," Zimmerman said.

If the bill becomes law, Zimmerman sees the end of so-called "Blue Light Specials," instant sales announced in-store without prior warning.

Lock Up Your Profits
In The Home Security Market
With Quality STEEL Products
From
Grisham CORPORATION

- No Inventory Investment
- High Profits
- Quick Delivery
- Co-op Advertising
- Attractive Displays
- Advertising Aids
- Dealer Training
- Superior Packaging

Security Storm Doors
16 Styles Available



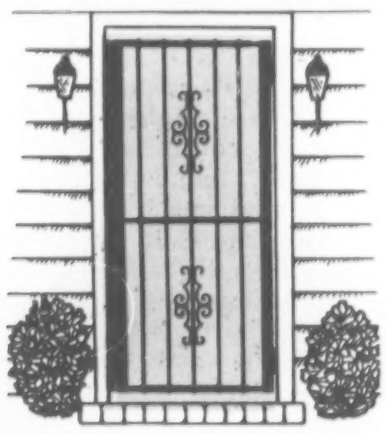
- Optional Brass Handles
- Security Flange
- Heavy Gauge 2" Steel Frame
- Mitered Top
- Weather Stripped Metal Jamb
- Heavy Duty Steel Hinges
- Safety Storm Chain
- Pneumatic Closure
- Tempered Safety Glass
- Insulated Glass Frame
- Adjustable, Double Sweep Expander
- Sandblasted Frames
- High Quality Enamel Paint

★ Qualifies for Energy Tax Credit too ★

New
← 2 Way →
Bank Vault Type
Deadbolt Locking System
(optional)

EASY-TO-INSTALL DO-IT-YOURSELF

Adjustable Security Door
★ No Drilling Required
★ Double Cylinder Deadbolt Lock
★ Pre-hinged for Easy Installation
★ Installs Easily, No Major Tools Needed



All Steel Construction | Security Flange | Security Mounted Hinges

Use our convenient toll free number:
1-800-238-1005

Grisham CORPORATION P.O. BOX 449 • Arlington, Tennessee 38002 • 901/867-8900

C5150-6 8/3/82

Merchandising stoves, p. 21

&0-93609- 1 9 U9902 X
660019464
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

National
Home Center News ®

Vol. 8, No. 16 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 2, 1982
$7 per year $2 per copy

The DIY home improvement, home center and building supply division at this month's National Hardware Show in Chicago's McCormick Place is expected to draw increased interest, but fewer home center chain representatives.

Expect fewer DIY execs at Nat'l Hardware Show

By Greg Puchalski *NHCN senior editor*

NATIONAL REPORT—Organizers of the 37th annual National Hardware Show, scheduled to open in Chicago Aug. 14-19, report that preregistration figures were running 20% ahead of a year ago, at presstime. However, DIY retailers admit they are sending fewer representatives to the show this year, largely because of the weak economy.

The economy, in fact, will be a major undercurrent in the decisions dealers make this month at the show, according to retailers contacted by *NHCN*.

(Continued on page 62)

Wickes' SEC report reveals extensive lumber closings

By Brad Altman
West Coast editor

SANTA MONICA, Calif.—More than one-quarter of Wickes' 339 lumber and home improvement stores—once the backbone of the company—will be sold or closed.

This was one of several dramatic disclosures in Wickes' delayed 10-K annual report for fiscal 1982 filed with the Securities and Exchange Commission.

Wickes revealed that it expects to get rid of "a substantial number, currently estimated at approximately 80" lumber and home improvement centers and home supply stores in the United States.

Jeffrey Chanin, Wickes' senior vp, told *NHCN* that the planned discontinued operations will occur among the 272 full-line Wickes Lumber Centers and five smaller Wickes Home Supply Stores. They are operated by Wickes lumber division in 38 states.

In contrast, Chanin said, at Irvine, Calif.-based Builders Emporium, "there are going to be virtually no units closed. Conceivably there might be one or two [closed]."

The magnitude of the massive Wickes Lumber closings—the timetable is still not clear—caught some industry observers offguard. Sanford Sigoloff, Wickes' chairman, ceo and president, told trade creditors at a Chicago meeting May 5 that Wickes Lumber had been cut by 11 stores and may lose another 30 (*NHCN*, May 24).

In its European home center-related operations, the 10-K said "several possible store closures are currently under review." As of March 31, Wickes operated 67 building and home supply centers in Britain and western Europe, compared with 19 only five years ago.

In addition, Wickes said, it intends to sell its Middle East International Group "as soon as possible." This consists of five building materials distribution centers, a warehouse, a manufacturing location and a small construction company in Saudia Arabia and in Kuwait.

Wickes also revealed that since May it has closed or is in the process of closing 12 of its 27-unit Wickes Furniture warehouse-showrooms. The company said it also plans to close at least 24 of the 124 retail furniture stores in its Leath division.

Wickes, however, didn't indicate any planned closings in Sequoia Supply lumber and building materials wholesaling division which operates 40 sales distribution centers in 24 states.

The 10-K reported Wickes is "seriously considering" the sale of 40 company-owned Gamble general merchandise stores in the Midwest and Rocky Mountain States.

(Continued on page 54)

Secondary mortgage market may help big-ticket sales

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Improved prospects for big-ticket financing appear to be glowing on the horizon as mounting participation in the secondary mortgage market is making more funds available for home improvements.

During the past few years, homeowners have increasingly turned to second mortgages, using the inflated equity of their homes, to finance expensive repair and remodeling projects.

That demand has spurred the development of a major secondary market in the past 18 months where lenders may sell the second mortgages they negotiate. Among those institutions buying the loan agreements are the Federal National Mortgage Assn. (Fannie Mae), the Federal Home Loan Mortgage Corp. (Freddie Mac), as well as Salomon Bros.

Because the growth of the secondary market is making it more desirable for some lenders to participate in the market, new funds are becoming available for lending for home improvement loans, and potentially at more competitive rates.

"In recent years the second mortgage market has become extremely important as a financing tool for homeowners and buyers," said Beth Van Houton, Fannie Mae director of public relations.

"Second mortgages generally have a shorter term and en-

(Continued on page 61)

Competition hurts margins

Deck demand drives up costs

NATIONAL REPORT—America's romance with decks has driven up retailer costs for treated lumber as much as 25% since January, but scrutinizing shoppers are forcing stores to sell the wood more competitively than ever.

"It seems that margins have dropped from last year," said Ed Linehan, merchandising manager at Plywood Ranch. "It's really too bad because the product moves so fast it's not necessary. Some retailers are giving the stuff away and they don't have to."

Plywood Ranch, the 20-store Massachusetts chain, carries treated 2x4x8's for $2.99 compared with $2.49 at Grossman's and $2.39 at Channel in the same area.

Pricing differs

Prices fluctuate according to the market, however. In north Jersey, where Rickel offers treated 2x4x8's for $2.49, Channel charges $2.59 and Grossman's sells them for $1.99. Home Depot charges $1.59 in Atlanta but $1.99 in Miami, where Lindsley gets $2.39, with a recent sale lowering the price to $1.79.

Most treated lumber is southern yellow pine #2 or better. However, the competitive need to get the best price point has probably resulted in bins with #3 mixed in at some chains, leaving the customer to select the best wood.

(Continued on page 62)

A SUTHERLANDS DECK ADDS EXTRA SPACE AND VALUE TO YOUR HOME!
Give your family extra outdoor living space with a deck package. Select from many sizes to fit your family's needs.
Steps and railing not included -- may be purchased separately. Ask the deck package experts at Sutherlands about lumber choices for your deck. FREE ESTIMATES gladly given.
One low price includes all lumber for a basic deck.
104.32
8' x 8' WHITEWOOD
Size | 10' x 10' | 12' x 14'
CCA Treated | 204.78 | 388.40
Redwood | 241.84 | 434.58

Sutherland Lumber's answer to the growing price-point battle on decks and treated lumber is to promote an 8-ft. x 8-ft. deck for $104.32, made from untreated white wood. A comparable treated lumber deck costs $155.46.

NEWSBREAKS

CHASE-PITKIN PLASTIC. Chase-Pitkin, Rochester, has initiated a "$250+" charge plan for its customers who want to finance purchases of $250 or more. Arranged through Lincoln First Bank, the plan will make it easier for the nine-store chain to sell big-ticket items and projects, officials said.

STAGE SET FOR RECOVERY. Housing will improve modestly by year's end, with seasonally adjusted starts reaching a rate of 1.2 million units in the fourth quarter, according to a recent update of the 1982 Dodge/Sweet's Construction Outlook. Total starts in 1982 are expected to reach 1.08 million, 4% off from last year, while single-family starts should remain about even with 1981 at 675,000.

INSIDE

FORMER GRACE exec Bob McNulty has taken over the No. 2 spot at Neiman-Reed's Lumber City ..... **page 2**
PAY 'n SAVE revised its management plan **2**
AMSHEL has acquired its second hardware chain, Tower Lumber, and may model it after its Home Shop operation **3**
MAJOR REVAMPING is due at Homecrafters as Georges Hanzi takes over as president of the 49-unit chain **3**
WWPA finds solid paneling gaining popularity **9**
ADAPTABILITY is a key for Big Apple retailers **11**

DIY Industry update

Pay 'n Save revises mgt. plan

SEATTLE—Pay 'n Save has eliminated its 18-month-old merchandising department which combined buying, marketing and distribution for its Ernst home centers and Pay 'n Save drug stores at corporate headquarters.

Under a major management realignment announced late last month, Bill Boston, Ernst vp-gm, will now oversee advertising and merchandising functions in addition to daily operations of 68-unit Ernst, 12 Sportswest sporting goods stores and three Von Tobel's home centers in Las Vegas, Nev.

Joseph Christy, vp of the disbanded merchandising department, was named to the newly created post of vp-administration. He will continue to oversee the company's distribution activities. Stan Johnson, corporate merchandising director, has been promoted to vp in charge of Pay 'n Save drug stores' Northwest region. The job of corporate advertising director held by Pat Rao has been eliminated. Rao had not been assigned to a new position at presstime.

In other developments, M. Lamont Bean, chairman, president and ceo, announced he has relinquished his title of president to E. Ronald Erickson, who was executive vp-operations. Erickson was named president and coo. Calvin Hendricks, executive vp-administration, was named board vice chairman and chief financial officer.

McNulty new No. 2 at Neiman-Reed

SHERMAN OAKS, Calif.—Former W. R. Grace executive Robert McNulty has taken the No. 2 post at 13-unit Neiman-Reed's Lumber City headquartered here.

McNulty

Robert Neiman, the home center chain's president and ceo, said McNulty will replace Gary Nelson as executive vp and chief financial officer. Nelson resigned "for personal reasons and to pursue other interests," Neiman said.

McNulty, whose first day on the job was July 19, "might wind up as president with me as chairman," Neiman disclosed, adding that the company chairmanship has been vacant since his founding partner, Bob Reed, died last Dec. 10.

Neiman, 63, said it is likely he will retire within six years, creating "an opportunity for Bob McNulty to become ceo and run the United States operations" for UBM Group of Britain. UBM bought 51% of Neiman-Reed's stock last July and has an option to buy the remainder in 1986.

No surprises at Wickes meeting

BEVERLY HILLS, Calif.—What was ballyhooed as one of the most important events in Wickes' history—the July 13 meeting here between management and representatives of four creditors' committees—turned out uneventfully, according to participants contacted by *NHCN*.

Richard Daniel, senior vp of Security Pacific National Bank, the lead bank on the Wickes Corp. committee, said the two-day meeting at the Beverly Wilshire Hotel resulted in "nothing surprising." Approximately 200 committee members, accountants and lawyers were given "expanded information" by Wickes officials on the company's operations since its 10-K was filed, Daniel reported. He characterized the materials as nothing "that would tickle anybody's imagination."

Unlike the June 3 creditors meeting attended by more than 1,000 persons in Los Angeles, the news media was excluded from this meeting.

National Home Center News

Ad Angles	30,31	Lumber Report	9
Calendar	37,47	New Products	49-52
Classified	57,58	New Stores	16
Distributors' Forum	40	People	16
Editorial	13	Price Point Survey	37
Financial News	53	Security/Shortage Control	44
Home Centers and the Law	35	Washington View	13

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 16. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 16 August 2, 1982

Survey projects 11% rise in DIY volume in 1983

COLUMBUS, Ohio—A recent study has projected that real sales in the home improvement industry will expand more than 11% in 1983 over this year's volume, resulting from a slightly improved economy, the recent drop in inflation and a reduction in inventory liquidation at the retail level.

However, home center retailers will have to endure a projected 5% decline in the real sales of durable goods in 1982, according to a recently released "Retail Outlook" survey done by Management Horizons.

The study's author, Jim Newton, estimated that real sales (based on unadjusted year-to-year comparisons) throughout the retail sector will decline during the current and third quarters, but that for the last three months of 1982, a reversal in this pattern will take place, with real sales increasing between 2%-2.5%, that should bring the year to about 1% below 1981 sales.

Newton was extremely optimistic about this fourth quarter turnaround's effect on the 1983 economy, where he calculates real retail sales expansion of 5.5%-6% over 1982 volume.

In addition to the predicted sales increases in home centers during 1983, the survey also projected that the sales performance at furniture and home furnishings outlets would rise about 9% above 1982 revenues. Overall, real durable good sales will decline by 2% in 1982 and rise "very rapidly" by over 10% in 1983.

Nondurable goods will be less volatile, and will suffer only a modest slowdown in 1982, while reviving in 1983. According to Newton, drug and proprietary stores will continue to experience negative year-to-year real sales results, due in part to the relatively high inflation rate in those industries.

The study also made predictions about the Canadian market which were considerably more dismal than those for the United States. Newton saw real sales dropping 7%, 4% and 1% for the first three quarters in Canada, with a very slight upswing in the fourth quarter. He predicted real retail sales to increase by 3.2% in 1983, but warned that these figures were compared to a "very poor performance during 1982."

On the whole, while Canadian apparel retailers should experience some advances in sales and margins, the survey found very little to cheer about in that country's department, variety, hardware, jewelry or home furnishings sectors. "Each of these store types will see real sales decline by at least 3%."

Fast-turning fare featured in HWI's "Do It" labeling

FORT WAYNE, Ind.—Hardware Wholesalers Inc., the 2,500-member hardware cooperative, has been selecting "high quality, competitively priced" merchandise from its 33,000 sku's for labeling with its new "Do-It" logo.

Over the next several months, HWI plans to have products with the "Do-It" private label represented in every product category. In addition, the company will be tying this merchandising effort in with its development of "Do-It" retail outlets, although the product label will be available to all its members.

According to vp-marketing Paul Smith, "Do-It" will be placed primarily on the "better" products in its good, better, best spectrum and member-dealers can anticipate maintained margins 10 percentage points higher on these items over what they normally get on merchandise purchased from the $485 million co-op.

"The 'Do-It' logo will not supersede our 'HWI' private label, simply because this kind of pricing and promotion isn't suited to every product we sell," Smith explained.

Currently, the "Do-It" label is on about 200 sku's in 25 product categories, ranging from fertilizer, driveway and roof sealant, light bulbs, 2-gal. paint cannisters and paint sundries, including the six sku's of paint brushes that generate 65% of HWI's brush sales.

The co-op has just introduced a garden hose with the "Do-It" logo that is red and yellow, the

(Continued on page 62)

Signs using the new "Do-It" logo of Hardware Wholesalers Inc. are hung over both entrances at Central Texas Hardware, the 54,000-sq.-ft. store that was converted from an old Sears. HWI photo

Designed for small-firm heads

NLBMDA offers computer program

By Molly Brauer
NHCN field editor

WASHINGTON—The NLBMDA has developed a computer program, called "The Presidents' War Plan," to help small-company presidents improve financial decisions.

The association offers the plan in conjunction with estimating and price-book software, and will introduce the new program at the NLBMDA convention Nov. 17 and 18 in Orlando, Fla.

The program was designed by a relative newborn in the computer software business, Management Blueprint Software of Los Gatos, Calif. The firm was founded by former IBM employee Bob Garzee less than two years ago.

Garzee approached NLBMDA with a proposal to develop a special software and education package to teach lumber and building material presidents how to do business planning on a personal computer using data from their own balance sheets.

After interviewing 51 national associations, Garzee concluded that the pre-eminent concern among wholesale and retail distributors is financial understanding for people with sales backgrounds.

When the NLBMDA agreed they were interested in a financial management program for their members, MBS developed a program aimed at $500,000 to $20 million companies, the rationale being that companies above the $20 million mark have financial staffs and computers.

Garzee contends that "medium and small companies have the same problems as large companies, but they aren't privy to the same tools," pointing out that "major corporations spend millions of dollars on computer-based management information systems so senior executives can base decisions on quantifiable data."

"The Presidents' War Plan" incorporates many special analytical features aimed at financial decision-making in the lumber and building supply industries.

The software program can forecast sales in 25 categories specified by individual lumber and building supply dealers. It breaks down lumber expenses into 12 categories, and works up an expense forecast 12 months out.

For profit and loss, balance sheet and cash flow, the program allows the computer to project those areas 12 months down the road.

Garzee explains, "Accountants can make the same projections by putting in 40 hours a month for a year."

The forecasting capabilities of the program are backed up by a special "What If" program that allows users to factor in conditions such as interest rate fluctuations, sales increases or decreases, or inventory expansions or cutbacks.

For example, if a dealer wanted to know what would happen if he doubled his stock of plywood, the program would project the effect on sales and margins.

The computer can analyze a company's business and quantify the results in 51 ratios

(Continued on page 61)

LUMBER REPORT

WWPA: Solid board paneling gains popularity

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Solid board paneling is becoming increasingly popular among consumers looking for paneling, reflecting the fact that consumers seem willing to pay a premium for products that look authentic.

Schept

That's the conclusion of a recent field survey by the Western Wood Products Assn. that explored regional variations in paneling appeal.

Solid wood paneling has luxury appeal compared with plywood-veneer prefinished panels which may be out-of-date, noted a dealer interviewed by the WWPA.

"Now every mobile home in the country has prefinished wall paneling, which has downgraded the image of wood paneling in the eyes of the public," he said.

Regional tastes in solid board paneling vary significantly. In the Southeast packaged Ponderosa pine is used, as is cedar and redwood, according to the WWPA.

Florida is strong in redwood and cedar. Cedar is generally found in No. 3 or better and redwood in clear, all heartwood.

In the Atlanta market, cedar is used. New homes sometimes come decorated with unfinished birch.

Contents of the mix

According to the WWPA, home centers in the upper Midwest generally stock a couple of prepackaged thin boards as well as a limited selection of 1x6 and 1x8 ponderosa pine or Western red cedar.

"The use of solid sawn lumber paneling continues to make inroads against 4x8 sheet goods in the Chicago market area," the report notes. "The general consensus is that sheet goods have become boring or passe and the homeowner/consumer is looking for something new and different."

However, since the consumer is used to the 4x8 solid sheet, most solid board packaging attempts to provide coverage close to the same square footage. Chicago-area home centers, for example, carry 1x4, 1x6 and 1x8, ¾-in. solid pine, shrink wrapped into bundles of 32 sq. ft.

Species generally available in the Chicago area include Western pine, cedar, redwood, Canadian spruce and local hardwoods like aspen.

Aspen is predictably also popular in Colorado as is cedar and ponderosa pine. Pine and cedar are preferred in channel rustic patterns, while aspen is sold tongue and groove.

In California 4x8 sheets continue to dominate, although shrink-wrapped solid board paneling is gaining favor with DIYers, particularly ponderosa pine, redwood, Western red cedar and incense cedar in reversible tongue and groove patterns.

Solid wood paneling is particularly catching on in the San Francisco Bay area, where affluent consumers overwhelmingly chose redwood.

Of the markets surveyed by the WWPA, only Houston was not receptive to solid paneling.

"Some home centers have tried stocking some of the prepackaged panels, but they are not good movers," the report notes.

Homeowners in this market prefer wallpaper, according to the WWPA.

Development anticipated

Light woods may soon be "in," according to the report. While DIYers are not specifying light woods, designers are. The report notes: "The do-it-yourselfer who is not buying sheet goods may try some of the strip products or thin, end-matched tongue and groove."

If lighter wood or other solid board paneling were to catch on with homeowners, the market would be considerable. Now, according to the recent *NHCN*/NAHB survey, paneling is predominantly favored by the owners of older homes (*NHCN*, July 5). Among homeowners in pre-1940 dwellings, 12.2% bought paneling in the past 12 months compared with 7.8% of those in homes built since 1970.

However, solid wood paneling probably appeals mostly to the owners of newer homes: the younger, more affluent, customers who generally have not seen wood as a wall decor alternative.

The product's potential, it seems, is not with the traditional paneling market, but with a larger DIY segment that has more money to spend.

PEOPLE
every issue
in
National Home Center News

Burlington cuts rates to boost Southern trade

ST. PAUL—Burlington Northern Railroad has launched a six-month rate reduction aimed at boosting its lumber, plywood and particle board shipments from the South and Southwest.

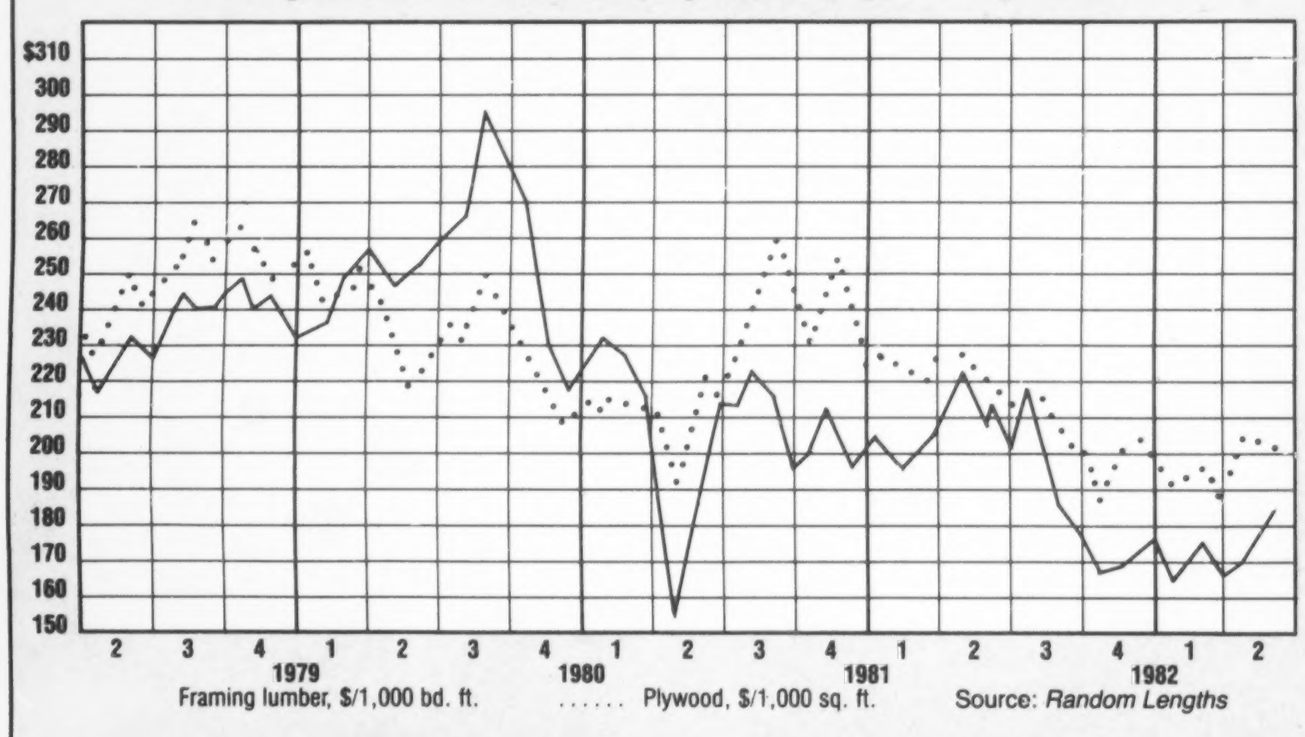
The special rates are structured on a per-car basis rather than the normal 100-weight. This format is intended to encourage shippers to load heavier and therefore attain savings of about $400 per boxcar, a Burlington spokesman said.

In addition, some diversions from planned destinations are allowed without extra charge. Switching costs, $80 to $250 per car, will be absorbed by the railroad.

A Birmingham, Ala.-to-Chicago shipment will cost $1,430 per 50-ft. boxcar, for example. Each car holds about 150,000 lb.

The changes affect loads originating in Oklahoma, Arkansas, Tennessee, Texas, Alabama, Mississippi and Florida bound for northern Colorado, Illinois, Iowa, eastern Wisconsin, northern Missouri, northern Wyoming, Nebraska and the Dakotas.

Composite lumber/plywood price profile



Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

The strong upward surge in lumber prices during the past few weeks seems to be leveling despite mill shutdowns. Treating plants had purchased large quantities and now seem to have what they need.

During June framing lumber averaged $183 per thousand board feet and plywood averaged $202 per thousand square feet based on Random Length's *weighted measure of nine framing and seven plywood key items.*

FUTURES

Two weeks ended July 9, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	143.00	134.50	142.60	138.10	817	224.50	129.00
Sept.	144.20	132.50	144.20	138.80	2,481	229.50	131.60
Nov.	144.70	134.20	144.70	139.50	1,311	224.50	132.60
Jan. '83	150.40	141.30	150.40	146.70	440	205.50	139.10
March	156.50	147.50	156.50	151.90	148	209.80	146.80
May	161.50	151.50	161.50	158.00	138	202.00	152.50
July	168.00	160.30	168.00	165.00	139	201.00	158.00

Total Contract Vol. (Through 7/9): 13,082 — **Previous Two Weeks: 22,816**
Total Open Interest (As of 7/8): 5,493 — **Previous Week: 5,632**
Cash Price: $144.06 — **Previous Week: $145.04** — **Year Ago: $163.66**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
July	157.80	151.10	157.00	155.00	140	219.00	150.10
Sept.	160.50	153.50	160.30	157.80	1,018	224.50	152.00
Nov.	162.90	156.00	162.80	160.30	402	226.50	154.80
Jan. '83	164.00	158.00	164.00	161.80	289	218.60	157.00
March	169.00	163.50	169.00	166.80	41	196.30	162.50
May	170.90	168.20	171.50	170.90	3	194.20	168.00

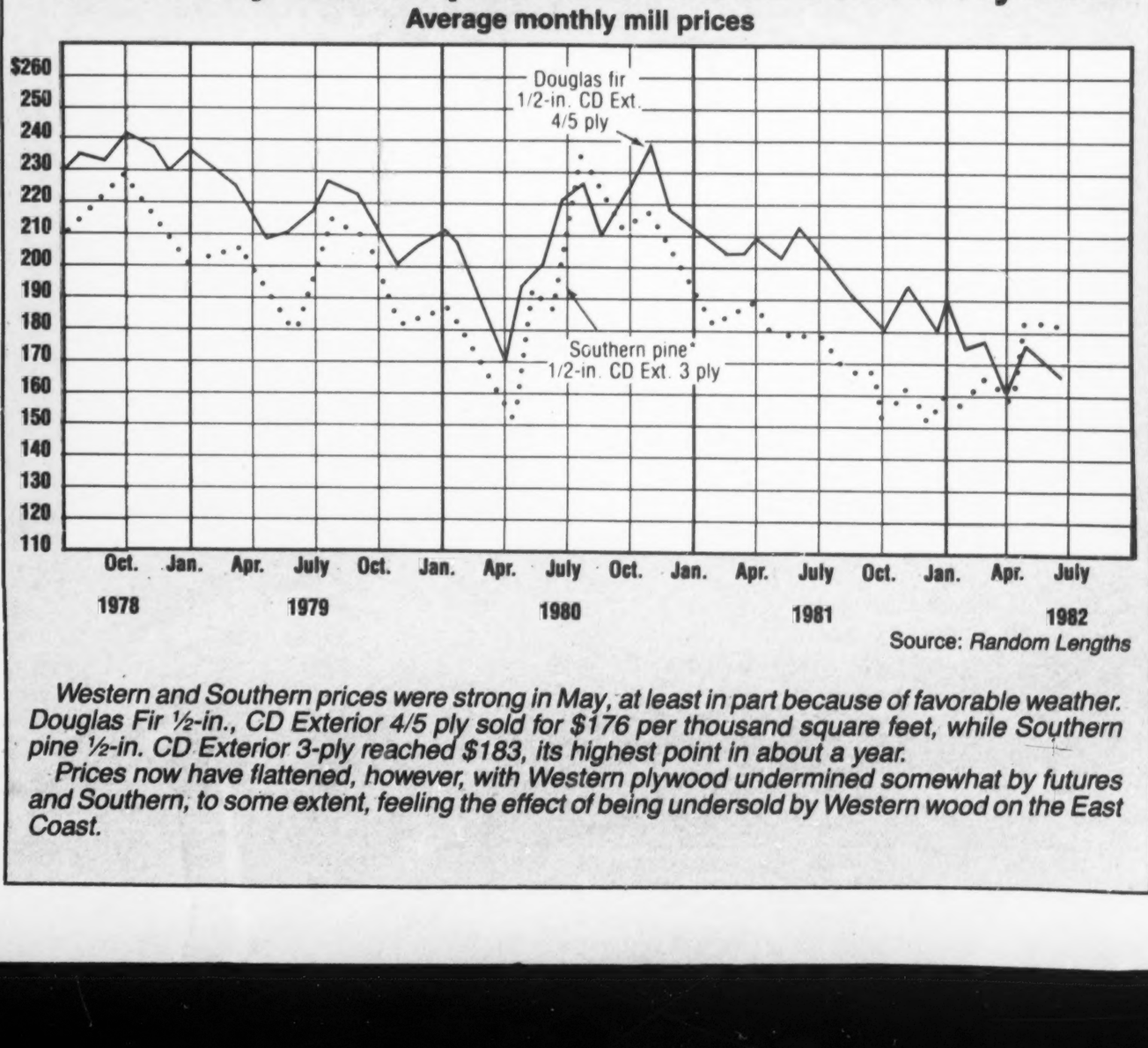
Total Contract Vol. (Through 7/9): 3,296 — **Previous Two Weeks: 4,424**
Total Open Interest (As of 7/8): 1,893 — **Previous Week: 2,112**
Cash Price: $159.74 — **Previous Week: $160.72** — **Year Ago: $201.88**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	240.5	239.1	272.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, July 8, 1982
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Western and Southern prices were strong in May, at least in part because of favorable weather. Douglas Fir ½-in., CD Exterior 4/5 ply sold for $176 per thousand square feet, while Southern pine ½-in. CD Exterior 3-ply reached $183, its highest point in about a year.

Prices now have flattened, however, with Western plywood undermined somewhat by futures and Southern, to some extent, feeling the effect of being undersold by Western wood on the East Coast.